

Update on Commission on Retirement Security and Pension Reform

**Compensation and Retirement Subcommittee
House Appropriations Committee
Michael Jay, HAC Staff
January 12, 2017**

Commission on Retirement Security and Pension Reform Created Pursuant to HB 665 of the 2016 Session

- House Bill 665 of the 2016 General Assembly Session (Chapter 683) created the Commission on Employee Retirement Security and Pension Reform as a legislative Commission
- Commission is tasked with assessing
 - The financial soundness of retirement plans covering state and local government employees
 - The suitability of retirement plans offered or maintained for current state and local government employees
 - The attributes of retirement plans that will be suitable for future employees
 - The impact on state and local governments of the anticipated retirement of experienced employees between 2016 and 2026 and strategies for replacing such employees
 - The elements of compensation and benefits packages that are essential to attracting and retaining a highly productive state and local government workforce
- Commission sunsets on July 1, 2021
 - 5 year period to complete work

Commission Comprised of 21 Members Including 11 Legislators, 7 Non Legislative Members, and 2 State Officials

- Members of the Commission include:

- House of Delegates

- The Honorable William J. Howell, Speaker of the House (Chairman of the Commission)
 - The Honorable S. Chris Jones
 - The Honorable R. Lee Ware Jr.
 - The Honorable T. Scott Garrett
 - The Honorable James P. Massie III
 - The Honorable Betsy Carr

- Senate

- The Honorable Frank M. Ruff Jr., (Vice Chairman of the Commission)
 - The Honorable Thomas K. Norment Jr.
 - The Honorable Emmett W. Hanger Jr.
 - The Honorable Frank W. Wagner
 - The Honorable George L. Barker

Commission Comprised of 21 Members Including 11 Legislators, 8 Non Legislative Members and 2 State Officials

- Members of the Commission include:

- Non Legislative Members

- Mr. Ed Burton
 - Ms. Kathy Burcher
 - Mr. Ron Jordan
 - Lt. Col. Robert Kemmler
 - Ms. Eileen Norcross
 - The Honorable Ken Stolle
 - Mr. John Vithoukias
 - The Honorable John Watkins

- Ex Officio

- Mrs. Patricia Bishop (Virginia Retirement System)
 - Mrs. Sara Redding Wilson (Department of Human Resource Management)

2016 Appropriation Act Included Some Administrative Funding to Support the Commission

- The 2016 Appropriation Act included \$150,000 GF in FY 2017 and \$150,000 GF in FY 2018 for the Department of Human Resource Management to provide administrative support to the Commission
- The 2016 Appropriation Act authorized the Virginia Retirement System to spend up to \$300,000 NGF in FY 2017 and \$300,000 NGF in FY 2018 provide retirement-related services in support of the Commission

Commission Held a Series of Meetings Since the 2016 Session

- The full Commission held 2 meetings during the summer
- Commission divided its work into 3 working groups
 - Retirement Working Group
 - Compensation Working Group
 - Workforce Working Group
- Full Commission met again on December 12th and adopted the recommendations developed by the working groups
- Website has been created to provide information on Commission's efforts
 - <http://retirementcommission.virginia.gov>

Recommendations Adopted From the Retirement Working Group

- The Retirement Working Group meetings focused on issues related to:
 - VRS Funding issues
 - Potential plan design changes to the hybrid retirement plan
 - Design for an optional defined contribution plan
- Recommendations that were adopted through the work of the Retirement Working Group include:
 - The General Assembly should consider modifying the hybrid plan design in a manner similar to those changes proposed in HB 1072 of the 2016 General Assembly session (proposed in HB 1967 – Delegate Massie)
 - The General Assembly should consider, dependent on the fiscal impact, providing an optional defined contribution (DC) plan to all employees based on the optional DC plan currently offered to political appointees (proposed in HB 2251 - Chairman Jones)

Recommendations Adopted From the Retirement Working Group

- In addition, the Retirement Work Group made 3 recommendations regarding the administration of the retirement system:
 - The Virginia Retirement System (VRS) should adopt a policy to develop and report sensitivity and stress test analysis on a regular basis, including projections of pension costs, liabilities and debt reduction under different economic and investment scenarios
 - VRS should adopt a formal policy to continue providing the VRS investment policy online and including 20- and 25-year investment performance data in regular reporting
 - VRS should adopt a formal policy to report performance and carried interest fees for private equity and other alternative investments regularly
 - All of these recommendations are included in HB 1768 (Delegate Garrett)

Workforce Working Group Adopted Recommendations

- Recommendations that were adopted through the work of the Workforce Working Group include:
 - Agencies should develop and annually update agency succession plans (HB 1555 – Delegate Ware)
 - Each state agency head should be required to participate in a human resources training program upon appointment, and then at intervals of at least once every four years (HB 1555 – Delegate Ware)
 - Commission should contract for a comprehensive study of state employee positions in each region of the Commonwealth and the skills of potential employees in each region. This study would be funded from the Department of Human Resource Management's 2016-2018 appropriation for the Commission
 - The Department of Human Resource Management (DHRM) should develop a comprehensive marketing and recruitment plan
 - DHRM should develop an annual employee satisfaction survey for all state employees and an employee exit survey for all employees leaving state service (Estimated cost of \$75,000 GF annually)

Compensation Working Group Adopted Recommendations

- Recommendations that were adopted through the work of the Compensation Working Group included:
 - The General Assembly should prioritize funding for the previously scheduled state employee pay raises (3%) in Fiscal Year 2018
 - JLARC should undertake a total compensation study to determine the total value of the state employee compensation package and compare it to other large employers (SJ 247 – Senator Ruff)
 - JLARC did total compensation study in 2008 and updated it in 2011
 - The General Assembly should appropriate necessary funds for DHRM to subscribe to Occupationally Based Data Services focused on total compensation and evaluation of peer employers (\$20,000 GF annually)